

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on August 1, 2005, at 10:00 a.m.

### Members Present

Cullen DuBose

Bo Garcia

David Hollister

Donald Jakeway

Sande MacLeod

Scott Schrager (acting for and on behalf of Jay Rising, authorization attached)

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Peter Anastor, MEDC

Kathy Blake, Senior V.P., Business Development, MEDC

Cathy Brubaker-Clarke, City of Muskegon

John Byl, Warner, Norcross & Judd

Jim Cash, The Christman Company

Anne Couture, Couture Environmental Strategies, LLC

Sam Cummings, Second Story Properties

Joseph Hooker, The Christman Company

Jeff Kaczmarek, MEDC

Carol Knobloch Johns, MEDC

Jim Linton, AKT Peerless

Mark Morante, MEDC

Jim McBryde, MEDC

Susan Novakoski, MEDC

Jim Paquet, Secretary to the Board

Matthew Rick, Attorney General's Office

Greg Robinson, Assistant City Manager, City of Holland

Tom Schimpf, Attorney General's Office

Susan Shannon, City of Grand Rapids

David Slikkers, CEO, S2 Yachts, Inc.

Vern Taylor, MEDC

Robert Terry, AKT Peerless

Randy Thelen, Lakeshore Advantage

Kara Wood, MEDC

### Call to Order

David Hollister called the meeting to order at 10:07 a.m.

## **Approval of Minutes from June 21, 2005**

After review, a motion was made, supported and carried that board meeting minutes from the June 21, 2005 meeting, be adopted.

## **Public Comment**

There was no public comment.

## **ACTION ITEM**

*S2 Yachts, Inc.  
725 East 40<sup>th</sup> Street  
Holland, Michigan 49423*

Peter Anastor introduced David Slikkers, CEO of S2 Yachts, Inc. Mr. Slikkers presented the project to the board. S2 Yachts, Inc. The company manufactures boats under the Tiara and Pursuit brand names and has been in Michigan since 1955. The company makes boats ranging from 22 feet to 52 feet in length. S2 Yachts currently has operations in Fort Pierce, Florida; Swansboro, North Carolina; and Holland, Michigan, where there are currently 640 employees.

S2 Yachts would like to consolidate its Tiara Boat manufacturing operations in order to accommodate growth and maximize efficiencies. The company is considering adding 100,000 square feet of manufacturing space in Holland. The project would lead to the creation of 99 new jobs in the first year of the project and a total of 400 new jobs over five years once Phase II is completed. The new positions would start with an average weekly wage of \$600.

The MEGA credit would require a new capital investment of \$7.5 million, including \$6 million for building costs and \$1.5 million for new machinery and equipment for the first phase of the project. Phase II would add another 100,000 square feet and would be completed two years after the initial project. Phase II would add another \$6.5 million in capital investment, including \$6 million for building costs and \$500,000 for new machinery and equipment.

It is estimated that this facility will create a total of 594 jobs in the state by the year 2019. We also estimate that the project would create total state government revenues through the year 2019, of \$26.9 million due to the location of this facility.

The company considered North Carolina for the new expansion and consolidation project. A cost comparison analysis completed between Swansboro and Holland indicated wages were 10 to 13 percent lower in North Carolina, which would save the company nearly \$2 million per year when the facility is fully operational. The North Carolina facility has a wet-dock that allows boats to be placed directly in the water once completed. Boats being manufactured in Holland will have to be shipped by truck. This

will also increase costs to the company since a large portion of their customers are in the SE United States.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 400 new hires, up to \$200,000. In addition, the State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$462,000.

The City of Holland has proposed a 100 percent PA 328 personal property tax abatement for twelve years, and a 50 percent PA 198 real property tax abatement for twelve years. The estimated values of the local property tax abatement are \$318,000 for the PA 328 and \$1.8 million for the PA 198. The local property tax abatements are expected to be approved by August 17.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for 13 years, for up to 400 net new employees.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee has recommended approval of the requested tax credit.

Peter Anastor discussed the reason for the look-back aspect of the requested credit, explaining the need for employee training prior to consolidation and the manufacturing of a new boat line.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-57, authorizing a standard MEGA credit with look-back for S2 Yachts, Inc., was adopted.

### **ACTION ITEM**

*Michigan Street Development, LLC  
408 Kalamazoo Plaza  
Lansing, Michigan 48933*

Michigan Street Development, LLC, will construct four buildings containing approximately 700,000 square feet of medical office space and a 2,300 space parking deck. Jeff Kaczmarek introduced Jim Cook and Joe Hooker with The Christman Company, along with John Byl from Warner, Norcross & Judd. Mr. Hooker explained that the proposed new buildings will add much needed capacity for medical research and technology space, including the ability to provide wet lab space. The project will serve as the western anchor to the emerging life science corridor in Grand Rapids. Strategically located across the street from Spectrum Health and the Van Andel

Institute, the project will optimize the use of scarce land in the area. The parking will be co-owned by Spectrum Health, Van Andel Institute and Michigan Street Development, LLC.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been met.

The City of Grand Rapids' unemployment rate was 7.8% in April, 2005. This compares to the statewide seasonally adjusted average of 7.1% in May, 2005.

The developer will invest approximately \$75 million in the project.

The project is using state and local TIF, as well as SmartZone TIF through the 2018 calendar year.

The eligible investments to be undertaken by Michigan Street Development, LLC, include the cost of new construction, totaling \$75 million.

### PROJECT COSTS

Public Infrastructure	\$ 250,000
Demolition	\$ 730,000
Site Preparation	\$7,153,750
Asbestos/Lead Abatement	\$1,000,000
Work Plan Preparation	\$ 8,500
MEGA Review Cost	\$ 1,000
Contingency (15%)	<u>\$1,371,488</u>
Total	\$10,514,738

There are 44.56 mills available for capture, with school millage equaling 24 mills (54%) and local millage equaling 20.56 mills (46%). The recommended tax capture breaks down as follows:

School tax capture	\$ 5,677,959 (54%)
Local tax capture	<u>\$ 4,836,779 (46%)</u>
	\$10,514,738

The property is contaminated and qualifies as a facility. The property is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on May 11, 2005.

### Recommendation

The Michigan Economic Development Corporation recommends approval of a MEGA SBT Brownfield Redevelopment Credit of \$7,500,000 based on eligible investment totaling \$75 million, and approval of the Work Plan and capture of school taxes not to exceed \$10,514,738.

## **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the requested Brownfield redevelopment tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2005-58, authorizing a Brownfield redevelopment credit for Michigan Street Development, LLC, was adopted.

Bo Garcia also reported that the Executive Committee recommended approval for the capture of school operating taxes for the City of Grand Rapids for the Main Street Development redevelopment project. Discussion was heard regarding the percentage of the school tax that will be captured by the Smart Zone, and the number of years within the life of the Smart Zone that taxes will continue to be captured at 100 percent. Mark Morante clarified the Smart Zone/Brownfield dynamic to the satisfaction of the board. Language will be added to the resolution to clarify the amount of the tax capture. Action on this resolution was tabled pending staff discussion of the requested change in resolution language.

## **ACTION ITEM**

*City of Lansing Brownfield Redevelopment Authority  
316 North Capital Avenue, Suite C-3  
Lansing, Michigan 48933*

Big Sky Development LLC plans to re-use the former Wolherth manufacturing building as a U.S. Storage Depot with interior, climate controlled storage. In addition, a business center including shipping services and supplies, mailboxes, copy and fax machines, and high-speed internet access will be provided. Approximately 10,000 square feet of office will be for leased space. The investment for the project is anticipated to be approximately \$6.9 million.

Jim Linton with AKT Peerless, was on hand to explain the project and answer questions. The proposed redevelopment activities will include renovating the existing building, completing the necessary due care and response activities to allow for the intended use of the building and property, upgrading necessary utilities and other site improvements. Construction is anticipated to begin in late summer 2005, and will be completed by the end of calendar year 2005.

The eligible property was historically utilized for industrial and/or residential purposes prior to the late 1800's. Residential dwellings previously located on the property were razed and redeveloped for industrial purposes from the early 1900's through the late 1990's. No existing residential properties remain on this location. This site was used by a number of operations, which included a coal yard and gasoline station.

U.S. Storage Depot has over 23 years of experience in the self-storage industry with the reputation of designing and building award-winning facilities. Seven Michigan locations include Ann Arbor, Grand Rapids, Flint, Wixom, Saline, Clinton Township, and Canton.

Brownfield Work Plan approvals are based on several criteria outlined in the statute. These criteria have been met.

U.S. Storage Depot will create seven jobs, three of which will be full-time positions. The additional 10,000 square feet of lease office space is anticipated to create 20-30 new jobs.

The project is located in a core community. According to the Department of Labor and Economic Growth, the City of Lansing's unemployment rate was 6.3% in May 2005. This compares to the statewide average of 7.1% and National average of 5.1%.

The developer will invest approximately \$6.9 million in the project.

Eligible activities designated for reimbursement through state and local tax increment revenue are identified as \$552,415. This total represents \$435,000 in MEGA activities and \$117,415 in MDEQ activities. This project will not pursue an SBT credit.

#### PROJECT COSTS

Infrastructure	\$115,000
Demolition	\$225,000
Site Preparation	\$ 60,000
Asbestos Abatement	<u>\$ 35,000</u>
Total	\$435,000

There are 59.64 mills available for capture, with school millage equaling 24 mills (40%) and local millage equaling 35.72 mills (60%). The recommended tax capture break down is as follows:

School tax capture (40%)	\$174,000
Local tax capture (60%)	<u>\$261,000</u>
	\$435,000

The property is a facility and is located within the boundaries of the City of Lansing, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on March 14, 2005.

#### Recommendation

The Michigan Economic Development Corporation recommends approval of the Work Plan of up to \$435,000 for the MEGA eligible activities. School tax capture is not to exceed \$174,000, as described above.

## **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the Work Plan and tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2005-60, authorizing the capture of school operating taxes for the City of Lansing, for the Brownfield redevelopment project to take place on the former Wohlert Building site, was adopted.

## **ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
Grand Rapids, Michigan  
Fairmount Square Investors, LLC*

Jeff Kaczmarek introduced Sam Cummings with Second Story Properties, Susan Shannon from the City of Grand Rapids, and John Byl of Warner, Norcross & Judd. Mr. Cummings explained that the project involves the rehabilitation of a vacant, functionally obsolete building that was used to provide institutional care for children in the 1900s. In the 1950's the Mary Free Bed Hospital was at this location until it closed in 1976. Subsequently, investors have attempted to reuse the building as a multi-tenant office building with little success. The building has been vacant for twenty years

The existing building will be completely renovated for commercial reuse by the Inner City Christian Federation. Renovation will include demolishing much of the interior. Additionally, new buildings will be constructed on the property surrounding the existing building, and used for residential condo units and limited office/retail space.

The project is located in the East Hills Cool Cities Neighborhood and is a blighted property which needs to be renovated.

Brownfield SBT Credits are based on several criteria outlined in the statute. These are discussed below.

The City of Grand Rapids' unemployment rate was 7.8% in April, 2005. This compares to the statewide seasonally adjusted average of 7.1% in May, 2005.

The developer will invest approximately \$11 million in the project.

The project is using state and local TIF. It is anticipated that Fairmount Square Investors, LLC will apply for a Brownfield Single Business Tax Credit related to this project.

**PROJECT COSTS**

Public Infrastructure	\$ 660,000
Demolition	\$ 270,000
Site Preparation	\$ 270,000
Asbestos/Lead Abatement	\$ 320,000
Work Plan Preparation	\$ 8,500
MEGA Review Cost	\$ 1,000
Contingency (15%)	<u>\$ 229,425</u>
Total	\$1,758,925

There are 44.56 mills available for capture, with school millage equaling 24 mills (54%) and local millage equaling 20.56 mills (46%). The recommended tax capture breaks down as follows:

School tax capture	\$ 949,819 (54%)
Local tax capture	<u>\$ 809,106 (46%)</u>
	\$ 1,758,925

The property has been deemed functionally obsolete by the City of Grand Rapids. The project is the subject of a brownfield plan approved by the City of Grand Rapids on February 15, 2005.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$949,819 based on eligible activities totaling \$1,758,925, described above.

**Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee agrees to the capture of school operating taxes for Fairmount Square Investors redevelopment project.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-61, authorizing the capture of school operating taxes for the City of Grand Rapids for the Fairmount Square Investors redevelopment project, was adopted.

**ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
Grand Rapids, Michigan  
1234 Michigan Street, NE*

This property is comprised of 2.24 acres of a former US Army Armory site that is near the southeast intersection of Fuller Avenue and Michigan Street. The property contains a 6,656 square foot maintenance shop and a 24,186 square foot administration building,



both of which are abandoned. The developer intends to demolish the existing structures and construct a two-story structure with parking beneath the building. The building will be a multi-tenant structure containing medical offices.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been met.

The City of Grand Rapids' unemployment rate was 7.8% in April, 2005. This compares to the statewide seasonally adjusted average of 7.1% in May, 2005.

The developer will invest approximately \$6.6 million in the project.

The project is using state and local TIF. There will be no SBT Credit awarded as part of this project.

### **PROJECT COSTS**

Public Infrastructure	\$ 205,000
Demolition	\$ 60,000
Site Preparation	\$ 215,000
Asbestos Abatement	\$ 50,000
Work Plan Preparation	\$ 5,000
MEGA Review Cost	\$ 1,000
Contingency (15%)	\$ 56,000
Total	\$ 592,000

There are 44.56 mills available for capture, with school millage equaling 24 mills (54%) and local millage equaling 20.56 mills (46%). The recommended tax capture breaks down as follows:

School tax capture	\$ 319,680 (54%)
Local tax capture	\$ 272,320 (46%)
	\$ 592,000

The property has been deemed functionally obsolete by the City of Grand Rapids. The project is the subject of a brownfield plan approved by the City of Grand Rapids on May 11, 2005.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$319,680 based on eligible activities totaling \$331,520, described above.

### **Board Discussion**

The work plan approval request was reviewed by the Executive Committee. On behalf of the committee, Bo Garcia has recommended approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-62, authorizing local and school operating tax capture for the City of Grand Rapids for the 1234 Michigan Street, NE redevelopment project, was adopted.

### **ACTION ITEM**

*City of Muskegon Brownfield Redevelopment Authority  
Post Office Box 536  
Muskegon, Michigan 49443  
Muskegon Mall Redevelopment Project*

The City of Muskegon is anticipating a development on the former Muskegon Mall site in the heart of downtown, a Michigan Main Street community. The site encompasses 23 acres, previously the location of several buildings and parking areas that were linked to creation of the first urban covered "mall." Today, the property is vacant with the exception of five historically significant buildings, which may be renovated or restored by future project investors and or developers. Cathy Brubaker-Clarke from the City of Muskegon, and Anne Couture with Couture Environmental Strategies, were present and discussed the redevelopment plans with the Board. The City is currently undertaking preliminary engineering for the re-establishment of the streets, sidewalks and underground utilities. The infrastructure plan includes an "urban center design"; pedestrian-minded streetscapes, low-impact storm water design, common areas, etc. After allocation of land for street/sidewalk right-of-ways and greenspace, approximately 16 acres will be available for buildings and parking.

The property is located between Third and Terrace Streets in downtown Muskegon. The project will be mixed use and proposed uses include housing, office, retail, restaurant and entertainment.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been met.

The City of Muskegon's unadjusted unemployment rate was 9.6% in May, 2005. This compares to the statewide seasonally adjusted average of 7.1% in May, 2005.

The site is located in a Renaissance Zone and in addition to the State and local TIF, the City has contributed \$26,000 in Site Assessment Grant funds to undertake asbestos surveys. The City also funded preliminary engineering for the infrastructure improvements in the amount of \$167,000. The State has committed \$1 million in CDBG funds through Muskegon County and an Urban Land Assembly Loan for \$700,000 to be repaid with brownfield TIF after the Renaissance Zone expires. It is anticipated that future Brownfield Single Business Tax Credits will be applied for as developers plan to make investments in the project.

**PROJECT COSTS**

Property Acquisition for Public Right of Way	\$ 450,000
Design Engineering	\$ 168,300
Construction Engineering	\$ 207,500
Public Infrastructure	\$3,112,045
Work Plan Preparation	\$ 7,000
MEGA Review Cost	\$ 1,000
Contingency (15%)	<u>\$ 591,877</u>
Total	\$4,537,722

There are 44.0205 mills available for capture, with school millage equaling 24 mills (55%) and local millage equaling 20.02 mills (45%). The recommended tax capture breaks down as follows:

School tax capture	\$ 2,495,747 (55%)
Local tax capture	<u>\$ 2,041,975 (45%)</u>
	\$ 4,537,722

The property has been declared a "facility" as defined in Section 2(m) of Act 381 and is in the City, a qualified local governmental unit as defined in Section 2(v) of Act 381. The project is the subject of a brownfield plan approved by the City of Muskegon on July 27, 2004.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$2,495,747 based on eligible activities totaling \$4,537,722, described above.

**Board Discussion**

Bo Garcia gave the Executive Committee report. On behalf of the Executive Committee, Mr. Garcia recommended support of the requested tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2005-63, authorizing the capture of school operating taxes for the City of Muskegon for the Muskegon Mall redevelopment project, was adopted.

**ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
Grand Rapids, Michigan  
Michigan Street Development*

This item, tabled earlier in the meeting, was discussed. Language limiting the amount of state tax capture was added to the Resolution and a revised tax capture schedule was requested for the project.

Hearing no further discussion, a motion was made and supported and Resolution 2005-59, authorizing the capture of school operating taxes for the City of Grand Rapids for the Main Street Development redevelopment project, was adopted with amendment.

The meeting was adjourned at 11:12 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, August 16, 2005.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ANIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

July 9, 2003

Mr. Jim Paquet  
Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, MI 48913

Dear Mr. Paquet:

I hereby designate Scott Schrager, Special Assistant to the Treasurer, Department of Treasury, to represent me at the Michigan Economic Growth Authority Board meetings, which I am unable to attend.

Sincerely,

A handwritten signature in black ink that reads "Jay B. Rising".

Jay B. Rising  
State Treasurer



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

GLORIA J. JEFF  
DIRECTOR

April 18, 2005

Mr. Jim Paquet, Secretary  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Mr. Paquet:

As you know, Jacqueline G. Shinn, MDOT Chief of Staff and Administrator of the Transportation Economic Development and Enhancement Office, acts on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In the case when Ms. Shinn or I are unable to attend a particular board meeting due to scheduling conflicts, I am appointing Michael Kapp, Manager of the Transportation Economic Development and Enhancement Office, as my alternate representative to attend and act on my behalf.

If you have any questions regarding this appointment, please call at (517) 373-0718.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jacqueline Shinn for".

Gloria J. Jeff  
Director